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June 1, 2009

TO: Each Health Deputy

FROM: Jonathan E. Fielding, M.D., M.P.H.
JEF Director and Health Officer

SUBJECT: **UPDATE ON DRUG MEDI-CAL PROGRAM**

This is an update on the Drug Medi-Cal (DMC) program administered by the Alcohol and Drug Program Administration (ADPA). Under the DMC program, the County contracts with agencies to provide DMC services on behalf of the State Department of Alcohol and Drug Program (SDADP). Attachment 1 provides detailed information on the scope, size, and financing of the DMC program.

On January 29, 2009, SDADP notified ADPA of disallowed claims of Day Care Habilitative (DCH) services provided to individuals classified as Minor Consent. To date, the total financial exposure for both ADPA and its contractors is projected to be \$11.7 million spanning three fiscal years (FY) (\$3.8 Million for FY 2006-07; \$3.8 Million for FY 2007-08; and \$4.1 Million for FY 2008-09). ADPA has stopped all reimbursements for DCH services for Minor Consent individuals.

On April 10, 2009, ADPA filed an appeal with SDADP. During a May 7, 2009 meeting with County Counsel and ADPA, SDADP made a settlement offer to forgive disallowances from FY 2004-05 through March 31, 2008. ADPA is working with County Counsel to administratively accept this settlement offer. Additionally, ADPA is analyzing its data to decide whether to pursue an appeal for the period from April 2008 through February 2009.

Beyond the settlement, ADPA is considering its future role in the DMC program, including how to reduce the level of exposure to financial liability and control the growth of the program. Options include:

1. Continue contracting with existing contracted DMC providers, and direct all new requests to SDADP for a direct contract.
2. Continue contracting with existing contracted DMC providers, and develop guidelines that prospective providers must meet before the County contracts with them. Those not meeting the requirements will be directed to the SDADP for a direct contract.

If you have questions or need any additional information, please let me know.

JEF:mh

Attachment

c: Sheila Shima
Richard Mason
John Viernes, Jr.

**Los Angeles County Department of Public Health
Drug/Medi-Cal Program Status Report
May 2009**

PROGRAM DESCRIPTION

In California, the federal Medicaid Program is administered by the State as the California Medical Assistance Program (Medi-Cal). This program provides health care services to welfare recipients and other qualified low-income persons (primarily families with children and the aged, blind, or disabled). At the State level, the Department of Health Care Services (DHCS) administers the Medi-Cal Program. The State Department of Alcohol and Drug Programs (SDADP) administers Drug Medi-Cal (DMC) funding through its Interagency Agreement with the State DHCS. The SDADP licenses and certifies DMC treatment providers and funds reimbursements for substance abuse treatment through county alcohol and drug programs and directly to some treatment providers. The California Code of Regulations (CCR), Title 9 and Title 22, govern DMC treatment.

The Negotiated Net Amount (NNA) and DMC Agreement between the SDADP and Los Angeles County Department of Public Health (DPH) Alcohol and Drug Program Administration (ADPA) provides for SDADP funding support for the provision of alcohol and drug services in Los Angeles County, including DMC services. The NNA/DMC Agreement requires the County to enter into agreements with all State-certified DMC service providers who request service contracts with the County, effective upon certification date, unless the County declines to contract with a specific service provider. Under the agreement, SDADP agrees to cover the costs of all DMC services provided to Medi-Cal beneficiaries. SDADP has further agreed to fund agreements, effective as of the date of a DMC provider's certification or July 1 of the current fiscal year, whichever start date is requested by the provider, allowing for State-approved retroactive payments to the provider.

California State Health and Safety Code Section 11758.43 requires SDADP to contract directly with State-certified DMC providers when a county declines to contract with the provider. However, before it can do so, SDADP requires that the county Board of Supervisors inform SDADP in writing of its intent to not contract with the provider. In Los Angeles County, the notification to SDADP has been delegated to the Director of DPH or his designee.

On August 9, 1994, as a result of Sobky v. Smoley, the federal court ordered SDADP to:

- a) ensure availability of methadone maintenance treatment services throughout the State, either through direct contracts or through subcontracts with various counties, where licensed methadone maintenance treatment programs are available;
- b) expedite requests for licensed methadone maintenance treatment providers for Medi-Cal provider certification;
- c) ensure that all Medi-Cal eligible persons receive methadone maintenance treatment services with "reasonable promptness," and;
- d) ensure that no Medi-Cal eligible persons be put on a waiting list to receive services due to budgetary constraints.

While the court's judgment specifically focused on methadone maintenance treatment services, the SDADP applied the ruling to all drug abuse treatment programs supported by Medi-Cal funding.

DMC SERVICES IN LOS ANGELES COUNTY

The DMC program in Los Angeles County has expanded significantly over the last several years. In Fiscal Year (FY) 1999-2000, DPH-ADPA contracted with 47 agencies, representing 49 services agreements and 129 contract exhibits. The total funding for DMC contracts for that fiscal year was \$19 million. As of May 15, 2009, the number of agencies with DMC contracts has increased to 114, representing 114 services agreements and 292 contract exhibits. The total funding allocated to these agencies is currently \$61 million. Exhibit 1 is a chart that shows the growth of the DMC program by fiscal year.

Services under the DMC program were provided to almost 29,000 unduplicated clients in FY 2007-08. From July 1, 2008 through March 2009, almost 21,000 clients have been served under the program. Exhibit 2 is a chart that shows the number of unduplicated clients served, the number of claims for those services that were received from ADPA contracted providers, the overall cost of services rendered, and the average cost per client.

The following services are provided under this program. These definitions were derived from CCR, Title 22, Section 51341.1.

Outpatient drug-free (ODF) counseling services – include admission, physical examinations, intake, medical direction, medication services, body specimen screens, treatment and discharge planning, crisis intervention, collateral services, group counseling, and individual counseling, provided by staff that are lawfully authorized to provide, prescribe and/or order these services within the scope of their practice or licensure, subject to the following:

- (a) Group counseling sessions shall focus on short-term personal, family, job/school, and other problems and their relationship to substance abuse or a return to substance abuse. Services shall be provided by appointment. Each beneficiary shall receive at least two group-counseling sessions per month.
- (b) Individual counseling shall be limited to intake, crisis intervention, collateral services, and treatment and discharge planning.

State-Approved DMC Rate, FY 2008-09, Individual Counseling:	\$74.99
DPH-ADPA Provider Reimbursement Rate:	\$67.49

State-Approved DMC Rate, FY 2008-09, Group Counseling	\$31.45
DPH-ADPA Provider Reimbursement Rate:	\$28.30

Perinatal outpatient drug-free (PODF) counseling services – include all outpatient drug-free counseling services named in the preceding paragraphs as well as the following:

- (a) Mother/child habilitative and rehabilitative services (i.e., development of parenting skills, training in child development, which may include the provision of cooperative child care pursuant to Health and Safety Code Section 1596.792);
- (b) Service access (i.e., provision of or arrangement for transportation to and from medically necessary treatment);

- (c) Education to reduce harmful effects of alcohol and drugs on the mother and fetus or the mother and infant; and
- (d) Coordination of ancillary services (i.e., assistance in accessing and completing dental services, social services, community services, educational/vocational training, and other services which are medically necessary to prevent risk to fetus or infant).

State-Approved DMC Rate, FY 2008-09, Individual Counseling:	\$106.08
DPH-ADPA Provider Reimbursement Rate:	\$95.47

State-Approved DMC Rate, FY 2008-09, Group Counseling	\$63.62
DPH-ADPA Provider Reimbursement Rate:	\$57.26

Day care habilitative (DCH) services – include intake, admission physical examinations, medical direction, treatment planning, individual and group counseling, body specimen screens, medication services, collateral services, and crisis intervention, provided by staff that are lawfully authorized to provide, prescribe and/or order these services within the scope of their practice or licensure. Day care habilitative services are provided only to pregnant and postpartum women and/or to EPSDT-eligible beneficiaries as otherwise authorized in Section 51341.1 of Title 22, CCR, Register 2002, April 19, 2002.

State-Approved DMC Rate, FY 2008-09:	\$67.96
DPH-ADPA Provider Reimbursement Rate:	\$61.16

Perinatal day care habilitative (PDCH) services – include all day care habilitative services named in the preceding paragraph, provided to pregnant and postpartum women and shall address treatment and recovery issues specific to pregnant and postpartum women, such as relationships, sexual and physical abuse, and development of parenting skills.

State-Approved DMC Rate, FY 2008-09:	\$82.90
DPH-ADPA Provider Reimbursement Rate:	\$74.61

Narcotic treatment program (NTP) services – utilize methadone and/or levoalphacetylmethadol (LAAM) as narcotic replacement drugs, including intake, treatment planning, medical direction, body specimen screening, physician and nursing services related to substance abuse, medical psychotherapy, individual and/or group counseling, admission physical examinations and laboratory tests, medication services, and the provision of methadone and/or LAAM, as prescribed by a physician to alleviate the symptoms of withdrawal from opiates, rendered in accordance with the requirements set forth in Chapter 4 commencing with Section 1000 of Title 9, CCR.

State-Approved DMC Rate, FY 2008-09:	
Methadone – 365 days	\$12.44
Counseling: Individual	\$15.00
Counseling: Group	\$3.49

PH-ADPA Provider Reimbursement Rates:	
Methadone – 365 days	\$11.30
Counseling: Individual	\$13.63
Counseling: Group	\$3.1

Perinatal narcotic treatment program (PNTP) services – include all services named in the preceding paragraph on Narcotic Treatment Program Services, provided to eligible pregnant and postpartum women. These services also include the mother/child services, service access, education, and coordination services named in the preceding paragraphs on Perinatal outpatient drug free counseling services.

State-Approved DMC Rate, FY 2008-09:	
Methadone – 365 days	\$13.38
Counseling: Individual	\$21.22
Counseling: Group	\$7.07

PH-ADPA Provider Reimbursement Rates:	
Methadone – 365 days	\$12.16
Counseling: Individual	\$19.28
Counseling: Group	\$6.42

Naltrexone treatment program (NalTP) services – include intake, admission physical examinations, treatment planning, provision of medication services, medical direction, physician and nursing services related to substance abuse, body specimen screens, individual and group counseling, collateral services, and crisis intervention services, provided by staff that are lawfully authorized to provide, prescribe and/or order these services within the scope of their practice or licensure. Naltrexone treatment services are only provided to a beneficiary who:

- (a) Has a confirmed, documented history of opiate addiction;
- (b) Is at least 18 years of age;
- (c) Is opiate free; and
- (d) Is not pregnant.

State-Approved DMC Rate, FY 2008-09:	\$21.19
DPH-ADPA Provider Reimbursement Rate:	\$19.07

Perinatal residential habilitative (PRH) services – include intake, admission physical examinations and laboratory tests, medical direction, treatment planning, individual and group counseling services, parenting education, body specimen screens, medication services, collateral services, and crisis intervention services, provided by staff that are lawfully authorized to provide and/or order these services within the scope of their practice or licensure.

State-Approved DMC Rate, FY 2008-09:	\$95.21
DPH-ADPA Provider Reimbursement Rate:	\$85.69

Growth by Modality

The growth by modality is listed in the following chart:

Modality Growth by Fiscal Year										
Modality	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
DCH	11	13	19	22	29	43	53	63	82	69
NTP	43	27	29	29	28	29	26	26	26	25
ODF	33	37	47	59	76	96	107	124	135	117
PDCH	19	19	24	26	29	33	40	47	56	36
PNTP	5	5	4	4	4	4	4	4	3	3
PODF	15	15	18	20	27	32	39	48	56	40
PRH	3	3	3	3	4	4	6	6	5	2
Total	129	119	144	163	197	241	275	318	363	292

There was a decrease in the number of contracts in FY 2008-09, compared to FY 2007-08, because DPH-ADPA did not renew the contracts for eight agencies on July 1, 2008, and terminated the contracts of six agencies. The terminations and non-renewals occurred based on the result of several investigations and non-compliance issues.

State Allocation

The total State allocation for DMC is \$79.8 million for FY 2008-09. However, the estimated actual gross claim is projected to be approximately \$71.6 million by the end of the fiscal year. After applying a ten percent factor for denied claims, the net DMC expenditures is projected at \$65.0 million. Of this amount, approximately ten percent, or \$6 million, would be utilized by ADPA towards administrative cost.

DPH-ADPA ADMINISTRATIVE RESPONSIBILITIES

The County is responsible for contracting with the providers; monitoring program services to ensure compliance with all rules, regulations, and contractual requirements; implementing and maintaining a system of fiscal disbursements and controls; processing claims for reimbursement; providing technical assistance as necessary; and working with agencies to correct deficiencies. DPH-ADPA receives ten percent of the State-approved rates for DMC services, or ten percent of the total program funding, to offset administrative and monitoring costs. Based on the current funding for DMC services, DPH-ADPA receives \$6 million to offset these costs.

Contract compliance/quality assurance

DPH-ADPA is responsible for assuring contracted agencies' compliance with federal and State laws, rules, and regulations and the terms of the contracts, and for providing technical assistance and resolving problems with contractors. DMC agencies are monitored for compliance to their contractual obligations at least once each fiscal year. All the requirements that substance abuse providers participating in the DMC program must follow are contained in the CCR, Title 22, Sections 51341.1, 51490.1, and 51516.1. For Narcotic Treatment Programs, Title 22 also refers and ties into CCR Title 9. Monitoring of DMC requires that ADPA Contract

Program Auditors (CPAs) focus on Title 22 requirements and has extensive training and experience in reviewing these types of records. DMC file review is more complex because in many instances the absence of one signature on a single document or one of more elements on some documents could result in the disallowance of all billings submitted for payment for the client's entire treatment episode.

For new DMC agencies wishing to contract with the County, ADPA has implemented an "early watch" program to ensure agencies' fiscal and programmatic viability. The "early watch" program requires ADPA staff to conduct an initial site visit within 30 days of receiving an agency's request for a DMC contract to ensure program administrators are aware of DMC program requirements and appropriate staffing levels. Agencies' initial contracts are processed with limited funding (\$20,000 for perinatal services and \$50,000 for non-perinatal services), and full funding is given only after ADPA conducts an audit, known as "augmentation visit," to ensure that the agency is operating consistent with the established rules and regulations for DMC clients. After an "early watch" and "augmentation visit" are conducted, ADPA also conducts an annual audit of the agency.

CPAs review the facility, client charts, billing, and program procedures and services when they conduct audits. There are three components to an audit, and they are as follows:

Administrative audit (also called Management review):

- Board members and meetings
- Insurance
- Certifications and licenses
- Compliance with contract requirements including requirements set in Additional Provisions
- Personnel review, including review of a maximum of 20 personnel files to ensure compliance with federal, State and County regulations

Programmatic audit

- Random review of client charts for billing verification and comprehensive review
- Observation of a group activity
- Client interviews

Performance review

- CPAs also review performance data reports to assess productivity, review quarterly and annual site reports compiled through the Los Angeles County Participant Reporting System to monitor specific admission and discharge data, and assess productivity and accuracy.

STAFFING

Overall, DPH-ADPA contracts with approximately 260 agencies and manages over 650 contracts and 1,270 exhibits. It is responsible for assuring contracted agencies' compliance with federal and State laws, rules, and regulations and the terms of the contracts, and for providing technical assistance and resolving problems with contractors.

The total number of budgeted CPA positions assigned in ADPA's Contract Program Monitoring and Quality Assurance Section is 24. Of the 24, seven are currently vacant and two are on extended absence.

In addition to contract program monitoring, staff in other organizational units within ADPA perform work related to DMC contract management, claims processing, fiscal disbursements and controls, information systems, and program evaluation. Fiscal services activities include claims processing, budgeting, grants management, cost reporting, and audit compliance. The total cost for these staff, including Services and Supplies is \$1.9 million. When comparing our administrative revenues of \$6.5 million, there remains about \$4.6 million that are used to fill budget gaps for other ADPA contracted programs.

NEW DMC CONTRACTS

DPH-ADPA has temporarily stopped processing requests for new DMC contracts while discussions about the future of the program are being held. Exhibit 3 provides a listing of applications for new DMC contracts with DPH-ADPA from 31 providers.

Options for controlling program growth

Several options for controlling the growth of the DMC program in the County are as follows:

1. Continue contracting with existing contracted DMC providers, and direct all future requests to the SDADP for a direct contract.
2. Continue contracting with existing contracted DMC providers, and develop guidelines that prospective providers must meet before the County contracts with them. Those not meeting the requirements will be directed to the SDADP for a direct contract.

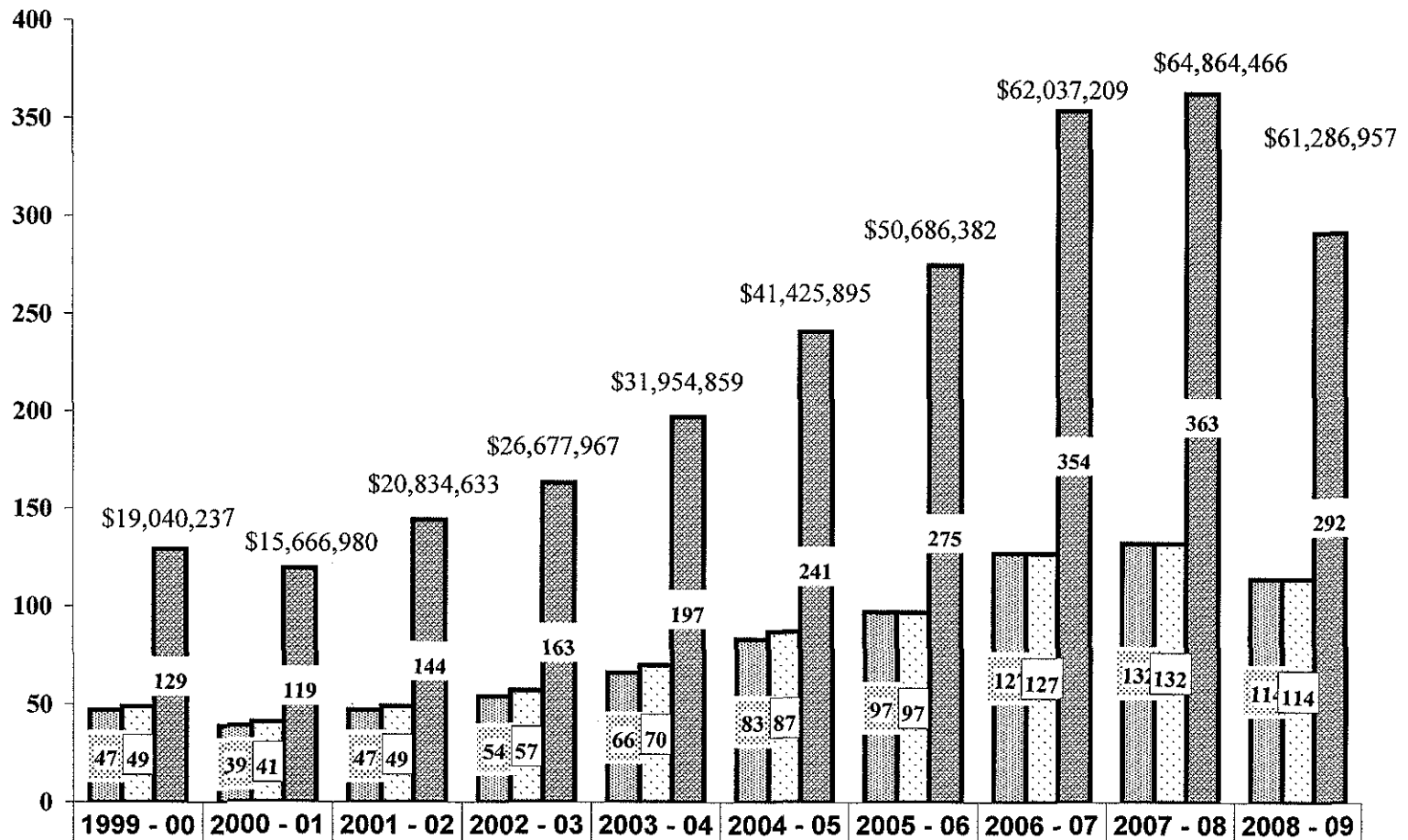
COUNTY OF LOS ANGELES - DEPARTMENT OF PUBLIC HEALTH

Exhibit 1

ALCOHOL AND DRUG PROGRAM ADMINISTRATION

Growth of Drug/Medi-Cal Programs by Fiscal Year

May 2009



# of Agencies	47	39	47	54	66	83	97	127	132	114
# of Contracts	49	41	49	57	70	87	97	127	132	114
# of Exhibits	129	119	144	163	197	241	275	354	363	292

LOS ANGELES COUNTY - DEPARTMENT OF PUBLIC HEALTH
ALCOHOL AND DRUG PROGRAM ADMINISTRATION
DRUG MEDI-CAL BILLING SUMMARY

Modality	FY 0708				FY 0809*			
	Clients	Service Claims	Service Costs	Average Per Client	Clients	Service Claims	Service Costs	Average Per Client
DCH								
Regular	7,134	342,205	23,115,948	\$ 3,240	5,125	253,963	17,259,325	\$ 3,368
Perinatal	334	12,019	960,558	2,876	172	7,061	585,357	3,403
Total DCH	7,468	354,224	\$ 24,076,506	3,224	5,297	261,024	\$ 17,844,682	3,369
NTP								
Regular	3,671	124,411	13,689,063	3,729	3,205	104,565	11,745,568	3,665
Perinatal	12	239	30,834	2,569	8	193	30,569	3,821
Total NTP	3,683	124,650	\$ 13,719,896	3,725	3,213	104,758	\$ 11,776,137	3,665
OC								
Regular	17,398	876,310	30,311,573	1,742	12,029	673,624	23,449,511	1,949
Perinatal	290	8,952	606,679	2,092	167	6,006	407,748	2,442
Total OC	17,688	885,262	\$ 30,918,252	1,748	12,196	679,630	\$ 23,857,259	1,956
RS								
Regular	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Perinatal	53	2,888	279,587	5,275	33	2,188	208,319	6,313
Total RS	53	2,888	\$ 279,587	5,275	33	2,188	\$ 208,319	6,313
TOTALS	28,892	1,367,024	\$ 68,994,242	\$ 2,388	20,739	1,047,600	\$ 53,686,398	\$ 2,589

* From July 2008 to March 2009

**COUNTY OF LOS ANGELES - DEPARTMENT OF PUBLIC HEALTH
ALCOHOL AND DRUG PROGRAM ADMINISTRATION**

Exhibit 3

**List of Pending DMC Actions
As of 14 May 2009**

		Agency	Existing Contract(s)	Modality
Agency requested, no ADPA response yet				
1	1	Emmanuel Children's Center		ODF
2	2	Ettie Lee Youth & Family Services	ODF/DMC	DCH
3	3	Lakers Alcohol and Drug Program Clinic, A Subsidiary of Bell Group, LLC		ODF
4	4	Mini-Twelve Step House	Block Grant, Prop 36, CalWORKS, Gen Relief	
5	5	Vic Medical Counseling Services, Inc.		ODF, DCH
6	6	West County Medical Corporation		NTP

Agency requested, ADPA responded with Notice of Intent, no further developments				
7	1	A Better You, A Better Me, Inc.		ODF
8	2	Family United-N-New Beginnings		ODF, DCH
9	3	Healthy Family Solutions		ODF
10	4	Redirect Your Future, Inc.		ODF
11	5	W.B. Community Learning Center		Unknown

Applications on hold (at ADPA or C&G)

At ADPA				
12	1	Another Chance Health Services, Inc.		ODF
13	2	Basen, Inc.		ODF, DCH, PODF, PDCH
14	3	Crystal Hope		ODF, DCH
15	4	Divine Healthcare Services, Inc.		ODF, DCH, PDCH
16	5	Equilibrium Health Services, Inc.		ODF, DCH, PODF, PDCH
17	6	Helping Hands Recovery Center		ODF
18	7	Los Angeles Drug Treatment Center, Inc.		ODF, DCH
19	8	LA Recovery Center		ODF, DCH
20	9	Medi-Cure Health Services, Inc.		ODF, DCH
21	10	New Hope Center, Inc.		ODF, DCH, PODF, PDCH
22	11	Olie Awareness Foundation, Inc.		ODF
23	12	Paz Counseling Services, Inc.		ODF
24	13	Seeking Peaceful Solutions		ODF

**COUNTY OF LOS ANGELES - DEPARTMENT OF PUBLIC HEALTH
ALCOHOL AND DRUG PROGRAM ADMINISTRATION**

Exhibit 3

**List of Pending DMC Actions
As of 14 May 2009**

		Agency	Existing Contract(s)	Modality
25	14	Southwest Care, Inc.		ODF, DCH, PODF, PDCH
26	15	Ultimate Lifestyle Center, Inc.		ODF, DCH
27	16	VIP Drug & Alcohol Education Center		ODF, DCH

At DPH C&G

28	1	Greenfields Health Services, Inc.		ODF, DCH
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With signed contracts but not executed

29	1	New Choice Recovery Treatment Center, Inc.		ODF
30	2	Gift of Hope & Healing, Inc.		ODF, DCH
31	3	West Coast Counseling Services, Inc. DBA West Coast Counseling Center		ODF, DCH, PODF, PDCH